

QUARTERLY REPORT

LICENSEE ATLANTIC CITY SHOWBOAT, INC

FOR THE QUARTER ENDED DECEMBER 31, 2001

TO THE

CASINO CONTROL COMMISSION

OF THE

STATE OF NEW JERSEY

7/18/02

TRADING NAME OF LICENSEE: ATLANTIC CITY SHOWBOAT, INC.

BALANCE SHEETS

AS OF DECEMBER 31, 2001 AND 2000

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2001 (c)	2000 (d)
	ASSETS		
	Current Assets:		
1	Cash and Cash Equivalents.....	32,630	\$ 22,104
2	Short-Term Investments.....	-	-
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2001, \$1,085 ; 2000, \$1,115).....NOTE 3	4,960	5,575
4	Inventories.....	2,360	2,130
5	Prepaid Expenses and Other Current Assets.....NOTE 4	1,740	3,186
6	Total Current Assets.....	41,690	32,995
7	Investments, Advances, and Receivables.....NOTE 5 & 14	943,702	822,080
8	Property and Equipment - Gross.....	530,824	501,203
9	Less: Accumulated Depreciation and Amortization.....	(258,532)	(242,575)
10	Property and Equipment - Net.....	272,292	258,628
11	Other Assets.....	2,295	2,625
12	Total Assets.....	\$ 1,259,979	\$ 1,116,328
	LIABILITIES AND EQUITY		
	Current Liabilities:		
13	Accounts Payable.....	10,031	4,246
14	Notes Payable.....	-	-
	Current Portion of Long-Term Debt:		
15	Due to Affiliates.....	-	-
16	Other.....	186	-
17	Income Taxes Payable and Accrued.....	-	-
18	Other Accrued Expenses.....NOTE 6	35,310	35,957
19	Other Current Liabilities.....	867	731
20	Total Current Liabilities.....	46,394	40,934
	Long-Term Debt:		
21	Due to Affiliates.....NOTE 8	715,000	715,000
22	Other.....NOTE 9	760	-
23	Deferred Credits.....NOTE 10	21,196	22,095
24	Other Liabilities.....NOTE 7	429,185	272,920
25	Commitments and Contingencies.....NOTE 15		
26	Total Liabilities.....	1,212,535	1,050,949
27	Stockholders', Partners', or Proprietor's Equity.....	47,444	65,379
28	Total Liabilities and Equity.....	\$ 1,259,979	\$ 1,116,328

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

STATEMENTS OF INCOME

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2001 AND 2000

(UNAUDITED)
(\$ IN THOUSANDS)

Amended

8-28-02

LINE (a)	DESCRIPTION (b)	2001 (c)	2000 (d)
	Revenue:		
1	Casino.....	\$ 346,468 *	\$ 342,315 *
2	Rooms.....	15,618	18,261
3	Food and Beverage.....	43,471	39,520
4	Other.....	6,578	6,272
5	Total Revenue.....	412,135	406,368
6	Less: Promotional Allowances.....	44,259	41,118
7	Net Revenue.....	367,876	365,250
	Costs and Expenses:		
8	Cost of Goods and Services.....	183,468 *	186,319 *
9	Selling, General, and Administrative.....	87,514	82,091
10	Provision for Doubtful Accounts.....	1,451	659
11	Total Costs and Expenses.....	272,433	269,069
12	Gross Operating Profit.....	95,443	96,181
13	Depreciation and Amortization.....	24,109	22,954
	Charges from Affiliates Other than Interest:		
14	Management Fees.....	-	-
15	Other..... NOTE 2,9 & 11	43,152	30,964
16	Income (Loss) from Operations.....	28,182	42,263
	Other Income (Expenses):		
17	Interest (Expense) - Affiliates..... NOTE 8	(57,748)	(56,200)
18	Interest (Expense) - External.....	-	-
19	Investment Alternative Tax and Related Income (Expense) - Net.....	(953)	(778)
20	Nonoperating Income (Expense) - Net..... NOTE 12	527	1,041
21	Total Other Income (Expenses).....	(58,174)	(55,937)
22	Income (Loss) Before Income Taxes and Extraordinary Items.....	(29,992)	(13,674)
23	Provision (Credit) for Income Taxes..... NOTE 10	(12,057)	(4,324)
24	Income (Loss) Before Extraordinary Items.....	(17,935)	(9,350)
	Extraordinary Items (Net of Income Taxes -		
25	2001, \$; 2000, \$).....	-	-
26	Net Income (Loss).....	\$ (17,935)	\$ (9,350)

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

Amended 8/27/02 to reflect Simulcast Win net of Commissions and Fees

STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED DECEMBER 31, 2001 AND 2000

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2001 (c)	2000 (d)
	Revenue:		
1	Casino.....	\$ 82,951	\$ 75,689
2	Rooms.....	3,775	4,031
3	Food and Beverage.....	11,300	9,547
4	Other.....	1,346	1,331
5	Total Revenue.....	99,372	90,598
6	Less: Promotional Allowances.....	11,309	9,518
7	Net Revenue.....	88,063	81,080
	Costs and Expenses:		
8	Cost of Goods and Services.....	44,339	45,489
9	Selling, General, and Administrative.....	21,865	18,982
10	Provision for Doubtful Accounts.....	492	60
11	Total Costs and Expenses.....	66,696	64,531
12	Gross Operating Profit.....	21,367	16,549
13	Depreciation and Amortization.....	6,377	5,714
	Charges from Affiliates Other than Interest:		
14	Management Fees.....	-	-
15	Other.....NOTE 2,9 & 10	10,687	7,454
16	Income (Loss) from Operations.....	4,303	3,381
	Other Income (Expenses):		
17	Interest (Expense) - Affiliates.....	(14,456)	(14,432)
18	Interest (Expense) - External.....	-	-
19	Investment Alternative Tax and Related Income (Expense) - Net.....	(352)	(134)
20	Nonoperating Income (Expense) - Net.....	(75)	215
21	Total Other Income (Expenses).....	(14,883)	(14,351)
22	Income (Loss) Before Income Taxes and Extraordinary Items.....	(10,580)	(10,970)
23	Provision (Credit) for Income Taxes.....	(12,057)	(4,324)
24	Income (Loss) Before Extraordinary Items.....	1,477	(6,646)
	Extraordinary Items (Net of Income Taxes -		
25	2001, \$; 2000, \$).....	-	-
26	Net Income (Loss).....	\$ 1,477	\$ (6,646)

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

TRADING NAME OF LICENSEE: ATLANTIC CITY SHOWBOAT, INC.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2000 AND THE TWELVE MONTHS ENDED DECEMBER 31, 2001

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Common Stock		Preferred Stock		Additional Paid-In Capital (g)		Retained Earnings (Accumulated) (Deficit) (i)	Total Stockholders' Equity (Deficit) (j)
		Shares (c)	Amount (d)	Shares (e)	Amount (f)				
1	Balance, December 31, 1999.....	1,500	\$ 70,492	-	\$ -	\$ -	\$ -	\$ 4,237	\$ 74,729
2	Net Income (Loss) - 2000.....							(9,350)	(9,350)
3	Contribution to Paid-in-Capital.....								
4	Dividends.....								
5	Prior Period Adjustments.....								
6									
7									
8									
9									
10	Balance, December 31, 2000.....	1,500	70,492	-	-	-	-	(5,113)	65,379
11	Net Income (Loss) - 2001.....							(17,935)	(17,935)
12	Contribution to Paid-in -Capital.....								
13	Dividends.....								
14	Prior Period Adjustments.....								
15	1999 Income Tax Adjustment.....								
16									
17									
18									
19	Balance, December 31, 2001.....	1,500	\$ 70,492	-	\$ -	\$ -	\$ -	\$ (23,048)	\$ 47,444

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

TRADING NAME OF LICENSEE: ATLANTIC CITY SHOWBOAT, INC.

STATEMENTS OF CASH FLOWS

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2001 AND 2000

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2001 (c)	2000 (d)
1	NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES.....	\$ 46,488	\$ 30,631
	CASH FLOWS FROM INVESTING ACTIVITIES:		
2	Purchase of Short-Term Investment Securities.....		
3	Proceeds from the Sale of Short-Term Investment Securities.....		
4	Cash Outflows for Property and Equipment.....	(32,263)	(27,698)
5	Proceeds from Disposition of Property and Equipment.....	165	282
6	Purchase of Casino Reinvestment Obligations.....	(3,864)	(3,469)
7	Purchase of Other Investments and Loans/Advances made.....		
8	Proceeds from Disposal of Investments and Collection of Advances and Long-Term Receivables.....		
9	Cash Outflows to Acquire Business Entities.....		
10		
11		
12	Net Cash Provided (Used) By Investing Activities.....	(35,962)	(30,885)
	CASH FLOWS FROM FINANCING ACTIVITIES:		
13	Cash Proceeds from Issuance of Short-Term Debt.....		
14	Payments to Settle Short-Term Debt.....		
15	Cash Proceeds from Issuance of Long-Term Debt.....		
16	Costs of Issuing Debt.....		
17	Payments to Settle Long-Term Debt.....		
18	Cash Proceeds from Issuing Stock or Capital Contributions.....		
19	Purchases of Treasury Stock.....		
20	Payments of Dividends or Capital Withdrawals.....	-	-
21		
22		
23	Net Cash Provided (Used) By Financing Activities.....	-	-
24	Net Increase (Decrease) in Cash and Cash Equivalents.....	10,526	(254)
25	Cash and Cash Equivalents at Beginning of Period.....	22,104	22,358
26	Cash and Cash Equivalents at End of Period.....	\$ 32,630	\$ 22,104
	CASH PAID DURING PERIOD FOR:		
27	Interest (Net of Amount Capitalized).....	\$ -	\$ -
28	Income Taxes.....	\$ -	\$ -

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

STATEMENTS OF CASH FLOWS

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2001 AND 2000

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2001 (c)	2000 (d)
	NET CASH FLOWS FROM OPERATING ACTIVITIES:		
29	Net Income (Loss).....	\$ (17,935)	\$ (9,350)
	Noncash Items Included in Income and Cash Items Excluded from Income:		
30	Depreciation and Amortization of Property and Equipment.....	24,109	22,954
31	Amortization of Other Assets.....	(426)	341
32	Amortization of Debt Discount or Premium.....		
33	Deferred Income Taxes - Current.....	-	-
34	Deferred Income Taxes - Noncurrent.....	(899)	4,138
35	(Gain) Loss on Disposition of Property and Equipment.....	22	(190)
36	(Gain) Loss on Casino Reinvestment Obligations.....	927	647
37	(Gain) Loss from Other Investment Activities.....		
	Net (Increase) Decrease in Receivables and Patrons' Checks.....	615	17
38			
39	Net (Increase) Decrease in Inventories.....	(230)	523
40	Net (Increase) Decrease in Other Current Assets.....	1,446	910
41	Net (Increase) Decrease in Other Assets.....	693	571
42	Net Increase (Decrease) in Accounts Payable.....	1,035	603
	Net Increase (Decrease) in Other Current Liabilities Excluding Debt.....	(511)	(3,927)
43			
44	Net Increase (Decrease) in Other Noncurrent Liabilities Excluding Debt.....	156,265	121,979
45	Net (Increase) Decrease in Invest., Advances, and Receivables.....	(118,623)	(108,585)
46			
47	Net Cash Provided (Used) By Operating Activities.....	\$ 46,488	\$ 30,631

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	ACQUISITION OF PROPERTY AND EQUIPMENT:		
48	Additions to Property and Equipment.....	\$ 33,209	\$ 27,698
49	Less: Capital Lease Obligations Incurred.....	946	
50	Cash Outflows for Property and Equipment.....	\$ 32,263	\$ 27,698
	ACQUISITION OF BUSINESS ENTITIES:		
51	Property and Equipment Acquired.....	\$	\$
52	Goodwill Acquired.....		
	Net Assets Acquired Other than Cash, Goodwill, and Property and Equipment.....		
53			
54	Long-Term Debt Assumed.....		
55	Issuance of Stock or Capital Invested.....		
56	Cash Outflows to Acquire Business Entities.....	\$	\$
	STOCK ISSUED OR CAPITAL CONTRIBUTIONS:		
57	Total Issuances of Stock or Capital Contributions.....	\$	\$
58	Less: Issuances to Settle Long-Term Debt.....		
59	Consideration in Acquisition of Business Entities.....		
60	Cash Proceeds from Issuing Stock or Capital Contributions.....	\$	\$

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

TRADING NAME OF LICENSEE: ATLANTIC CITY SHOWBOAT

SCHEDULE OF PROMOTIONAL EXPENSES AND ALLOWANCES

(\$ IN THOUSANDS)

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2001

Line (a)	(b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	239,114	\$ 14,102		
2	Food	1,564,160	18,770		
3	Beverage	7,317,940	9,041		
4	Travel			10,332	1,808
5	Bus Program Cash			958,285	13,570
6	Other Cash Complimentaries			1,175,049	36,644
7	Entertainment	38,898	883		
8	Retail & Non-Cash Gifts				
9	Parking				
10	Other	167,148	1,463	28,177	2,113
11	Total	9,327,260	\$ 44,259	2,171,843	\$ 54,135

FOR THE THREE MONTHS ENDED DECEMBER 31, 2001

Line (a)	(b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	58,935	\$ 3,348		\$ -
2	Food	441,596	5,293		
3	Beverage	1,562,273	2,181		
4	Travel			2,164	379
5	Bus Program Cash			207,956	2,642
6	Other Cash Complimentaries			332,951	10,183
7	Entertainment	3,551	53		
8	Retail & Non-Cash Gifts				
9	Parking				
10	Other	49,561	434	4,750	356
11	Total	2,115,916	\$ 11,309	547,821	\$ 13,560

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ATLANTIC CITY SHOWBOAT, INC.
Notes to Financial Statements
(Dollars In Thousands)

(1) Summary of Significant Accounting Policies

Nature of Operations

Atlantic City Showboat, Inc. (the Company), is a wholly owned subsidiary of Ocean Showboat, Inc. (OSI), which is a wholly owned subsidiary of Showboat, Inc. (SBO). SBO is a wholly owned subsidiary Harrah's Operating Company, Inc. (HOC), which is a wholly owned subsidiary of Harrah's Entertainment, Inc. and Subsidiaries (HARRAH'S). OSI was incorporated in 1983 and is a holding company with its principal assets being investments in the Company. The Company conducts casino gaming operations and operates full supportive services of hotel, restaurant, bar and convention facilities at the Showboat Hotel and Casino in Atlantic City, New Jersey (Atlantic City Showboat).

On June 1, 1998, HARRAH'S, a Delaware corporation, purchased SBO and its subsidiaries in an all cash transaction.

Revenue Recognition

Casino revenues consist of the net win from gaming activities, which is the difference between gaming wins and losses. Revenues from hotel and other services are recognized at the time the related services are performed.

Promotional Allowances

Gross revenues include the retail value of complimentary food, beverage, theater and hotel services furnished to patrons. The retail value of these promotional allowances is deducted to arrive at net revenues. The estimated costs of providing such complimentary services, which the Company classified as casino expenses through interdepartmental allocations, were as follows:

	<u>2001</u>	<u>2000</u>
Food and Beverage	\$24,961	\$24,478
Rooms	11,648	10,500
Other	<u>3,015</u>	<u>3,034</u>
	<u>\$39,624</u>	<u>\$38,012</u>

Cash and Cash Equivalents

The Company considers all highly liquid investment instruments purchased with an original maturity of three months or less to be cash equivalents.

Inventories

Inventories of provisions and supplies are valued at the lower of cost (determined on a first-in first-out basis) or market.

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ATLANTIC CITY SHOWBOAT, INC.
Notes to Financial Statements
(Dollars In Thousands)

Financial Instruments

The carrying amount of cash equivalents, receivables and all current liabilities approximates fair value due to their short-term nature. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties. After giving effect to their allowances, the Casino Reinvestment Development Authority (CRDA) bonds and deposits approximately indicate their fair value. The carrying amount of long-term debt is estimated to approximate its fair value as the stated rates approximate current rates.

Property and Equipment

Property and Equipment is carried at cost. Depreciation including amortization of capitalized leases is computed using the straight-line method. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized. Estimated useful lives for Property and Equipment are 5 to 15 years for Land Improvements, 10 to 40 years for buildings and 3 to 10 years for furniture and equipment.

Income Taxes

Under the asset and liability method of accounting for income taxes, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date.

Until May 31, 1998 the Company was included in the consolidated federal income tax group of SBO and subsidiaries and was under a tax allocation agreement with SBO. Effective June 1, 1998 the Company is included in the consolidated federal income tax group of HARRAH'S. Accordingly, income taxes are allocated based on the agreement, which indicates the separate return method except that tax benefits available to the Company are recognized when generated by the Company to the extent utilized by the group, including carrybacks. The Company filed for and received a change in tax year-end with the Internal Revenue Service. The Company's tax-year end is December 31.

Deferred Financing Cost

Costs associated with the issuance of debt have been deferred and are being amortized over the life of the related indebtedness using the straight-line method that approximates the effective interest method.

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ATLANTIC CITY SHOWBOAT, INC.
Notes to Financial Statements
(Dollars In Thousands)

Long-lived Assets

The provisions of Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets" requires, among other things, that an entity review its long lived assets and certain related intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. The assessment for potential impairment is based primarily on the Company's ability to recover the unamortized balance of its long-lived assets from expected future cash flows from its operations on an undiscounted basis. The Company is not aware of any events or changes in circumstances that indicate that the carrying amount of any asset may be impaired.

Accounting Estimates

The preparation of these financial statements in conformity with generally accepted accounting principals requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates.

The Company provides an allowance for doubtful accounts arising from casino, hotel and other services, which is based upon a specific review of certain outstanding receivables and historical collection performance. In determining the amount of the allowance, the Company is required to make certain estimates and assumptions and actual results may differ from those assumptions.

Recent Accounting Pronouncements

In January 2001, the Emerging Issues Task Force ("EITF") reached a consensus on certain issues within Issue No. 00-22, "Accounting for "Points" and Certain other Time-Based or Volume-Based Incentive Offers and Offers for Free Products or Services to be Declared in the Future" ("EITF 00-22"). Application of EITF 00-22 is required for all interim and annual periods beginning after February 15, 2001. EITF 00-22 requires volume-based cash rebates to be classified as a reduction of revenue. Notwithstanding the above, the Company has not elected to adopt EITF 00-22 in the quarter ended December 31, 2001 as authorized by the Casino Control Commission for which these statements have been prepared. Had the company elected to adopt EITF 00-22 approximately \$855 and \$3,598 would have been reclassified from Selling General and Administrative Expenses to Promotional Allowances for the years ending December 31, 2001 and 2000, respectively.

In July 2001, the FASB issued Statement No. 141 "Business Combinations" ("SFAS 141") and Statement No. 142 "Goodwill and Other Intangible Assets" ("SFAS 142"). SFAS 141 is effective as follows: a) use of the pooling-of-interest method is prohibited for business combinations initiated after June 30, 2001; and b) the provisions of SFAS 141 also apply to all business combinations accounted for by the purchases method that are completed after June 30, 2001. SFAS 142 is effective for fiscal years beginning after December 15, 2001 and applies to all goodwill and other intangible assets recognized in an entity's statement of financial position at that date, regardless of when those assets were initially recognized. The Company does not expect the provisions of SFAS 141 and SFAS 142 to have a material effect on the Company's financial position or results of operations.

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ATLANTIC CITY SHOWBOAT, INC.
Notes to Financial Statements
(Dollars In Thousands)

Recent Accounting Pronouncements (Cont.)

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment of Disposal of Long-Lived Assets". This standard addresses financial accounting and reporting for the impairment of disposal of long-lived assets. The standard is effective for fiscal years beginning after June 15, 2002. The Company's management does not expect the adoptions of SFAS No. 144 to have a material impact on the Company's financial results.

In November 2001, the EITF reached a consensus on Issue No. 01-09, "Accounting for Consideration Given by a Vendor to a Customer (including a Reseller of the Vendor's Products)" ("EITF 01-09"). For a sales incentive offered voluntarily by a vendor to its patrons, EITF 01-09 requires the vendor to recognize the cost of the sales incentive at the later of the date at which the related revenue is recorded by the vendor, or the date at which the sales incentive is offered. Accordingly, at December 31, 2001, the Company has accrued for the expected cost of certain cash incentives offered to casino patrons based on their past levels of play.

Application of EITF 01-09 is required in annual or interim financial statements for periods beginning after December 15, 2001. Notwithstanding the above, the Company elected not to adopt EITF 01-09 in the quarter ended December 31, 2001 as authorized by the Casino Control Commission, for which these statements have been prepared. Had the Company elected to adopt EITF 01-09, approximately \$25,816 and \$16,061 would have been reclassified from Selling, General and Administrative Expenses to Promotional Allowances for the years ending December 31, 2001 and 2000, respectively.

(2) Related Party Transactions

In 1999 the Company entered into a new license agreement with SBO for the use of certain trademarks. Under the agreement the Company is required to pay a fixed license fee of \$18,478 per year through 2000. In 2001, the licensing agreement was renewed for an additional five-year period and the annual fee increased to \$20,746

In addition to the above license agreement, in 2001, the Company also entered into a five-year license agreement with Harrah's Las Vegas Inc. for the use of certain program and related trademarks. Under the agreement the Company is required to pay a fixed license fee of 6,221 per year.

The Company is charged a fee from HOC for administrative services (including executive, financial, information technology, legal, marketing, and tax planning and compliance). The Company was charged \$5,830 and \$2,798 for the twelve months ended December 31, 2001 and 2000, respectively.

As more fully disclosed in Note 5, the Company provides services for HARRAH'S and transfers cash in excess of its operating needs to HARRAH'S on a daily basis. As more fully disclosed in Note 7 services are provided by HARRAH'S and cash is transferred from HARRAH'S to the Company based upon the needs of the Company to fund daily operations. No interest is paid or (earned) on the amount shown as Due To (From) Affiliates in the accompanying statements.

As more fully disclosed in Note 8, the Company has Intercompany Promissory notes payable totaling \$715,000.

As more fully disclosed in Note 9, the Company leases land from a subsidiary of SBO.

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ATLANTIC CITY SHOWBOAT, INC.
Notes to Financial Statements
(Dollars In Thousands)

(3) Receivables

As of December 31, 2001 and 2000, Receivables consisted of the following:

	<u>2001</u>	<u>2000</u>
Casino	\$4,030	\$4,214
Hotel	282	269
Due from CRDA	0	134
Other	<u>1,733</u>	<u>2,073</u>
	6,045	6,690
Less allowance for doubtful accounts	<u>1,085</u>	<u>1,115</u>
	<u>\$4,960</u>	<u>\$5,575</u>

(4) Prepaid Expenses & Other Current Assets

As of December 31, 2001 and 2000, Prepaid Expenses and Other Current Assets consisted of the following:

	<u>2001</u>	<u>2000</u>
Prepaid Slot License	\$841	\$892
Prepaid Insurance	84	56
Deposits	210	200
State Income Tax Benefit	0	1,287
Other	<u>605</u>	<u>751</u>
	<u>\$1,740</u>	<u>\$3,186</u>

(5) Investments, Advances & Receivables

As of December 31, 2001 and 2000, Investments, Advances and Receivables consisted of the following:

	<u>2001</u>	<u>2000</u>
CRDA Deposits (Note 14)	\$16,939	\$13,194
CRDA Bonds (Note 14)	<u>8,504</u>	<u>7,384</u>
	<u>25,443</u>	<u>20,578</u>
Less: Valuation Allowance on CRDA		
Investments	<u>(6,496)</u>	<u>(5,569)</u>
CRDA Investments, Net	18,947	15,009
Due From Affiliates	<u>924,755</u>	<u>807,206</u>
	<u>\$943,702</u>	<u>\$822,215</u>

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ATLANTIC CITY SHOWBOAT, INC.
Notes to Financial Statements
(Dollars In Thousands)

(5) Investments, Advances & Receivables (Cont.)

As of December 31, 2001 and 2000, Due From Affiliates consisted of the following:

	<u>2001</u>	<u>2000</u>
HARRAH'S	\$922,524	\$804,131
Showboat Operating Company	11	11
Harrah's Atlantic City	1,843	2,918
Showboat Indiana	14	144
Harrah's New Orleans	2	2
Harrah's Lake Tahoe	22	0
Harrah's Joliet	17	0
Harrah's Ak-Chin	290	0
Harrah's North Kansas City	<u>32</u>	<u>0</u>
	<u>\$924,755</u>	<u>\$807,206</u>

(6) Accrued Liabilities

As of December 31, 2001 and 2000, Other Accrued Expenses consisted of the following:

	<u>2001</u>	<u>2000</u>
Salaries and Wages	\$5,859	\$5,975
Taxes, Other Than Taxes on Income	1,394	1,748
Accrued Advertising and Promotion	971	1,077
Accrued Interest	22,065	22,065
Warehouse Lease	0	147
Other	<u>5,021</u>	<u>4,945</u>
	<u>\$35,310</u>	<u>\$35,957</u>

(7) Other Liabilities

As of December 31, 2001 and 2000, Other Liabilities consisted of the following:

	<u>2001</u>	<u>2000</u>
Due to Affiliates, Long-Term	\$428,617	\$272,535
Other	<u>568</u>	<u>385</u>
	<u>\$429,185</u>	<u>\$272,920</u>

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ATLANTIC CITY SHOWBOAT, INC.
Notes to Financial Statements
(Dollars In Thousands)

(7) Other Liabilities (Cont.)

As of December 31, 2001 and 2000, Due To Affiliates consisted of the following:

	<u>2001</u>	<u>2000</u>
HARRAH'S	\$282,659	\$175,470
Showboat Inc.	135,999	95,011
Harrah's Las Vegas	6,433	218
Harrah's Laughlin	4	2
Harrah's Reno	14	15
Harrah's Tunica	10	0
Ocean Showboat	39	39
Harrah's Atlantic City	2,847	1,239
Showboat Operating Company	528	528
Rio Las Vegas	<u>84</u>	<u>13</u>
	<u>\$428,617</u>	<u>\$272,535</u>

(8) Long Term Debt, Due to Affiliates

As of December 31, 2001 and 2000 Long-Term Debt, Due to Affiliates consisted of the following:

	<u>2001</u>	<u>2000</u>
9 ¼ % Promissory Note - Due 2008	\$215,000	\$215,000
7 ½ % Promissory Note - Due 2009	500,000	500,000
Total Long Term Debt	<u>\$715,000</u>	<u>\$715,000</u>

On May 18, 1993, SBO issued \$275,000 of 9 1/4% First Mortgage Bonds due 2008 (9 ¼ % Bonds) and subsequently loaned approximately \$215,000 of the proceeds to the Company evidenced by an intercompany note with terms and conditions consistent with those of the 9 ¼% Bonds.

Subsequent to the purchase of SBO, HARRAH'S completed tender offers and consent solicitations for SBO's 9 ¼ Bonds. As a result of the receipt of the requisite consents, HARRAH'S eliminated or modified substantially all of the negative covenants, certain events of default and made other changes to the respective indentures governing the 9 ¼ Bonds. The Company's intercompany note with SBO remained unchanged.

On January 15, 1999 the HOC loaned the Company \$500,000 which loan is evidenced by an intercompany note. The loan is secured by the assets of the Company.

For value received, the Company promises to pay HOC the principal sum of \$500,000 on January 15, 2009 and to pay interest thereon at the rate of 7 ½ % per annum. Payments of interest shall be made semiannually on January 15 and July 15 of each year, commencing July 15, 1999, and shall be calculated on the basis of a 360-day year.

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ATLANTIC CITY SHOWBOAT, INC.
Notes to Financial Statements
(Dollars In Thousands)

(9) Leases

The Company leases a warehouse under a long-term lease agreement that is capitalized as a capital lease. The Company has the option to purchase the warehouse from January 1, 2006 through March 31, 2006 at an option price of approximately \$1,928.

The Company is leasing 10 1/2 acres of Boardwalk property in Atlantic City, New Jersey for a term of 99 years commencing October 1983. Annual rent payments, which are payable monthly, commenced upon opening of the Atlantic City Showboat. The rent is adjusted annually based upon changes in the Consumer Price Index. In April 2001, the annual rent increased \$293 to \$9,966. The Company is responsible for taxes, assessments, insurance and utilities. Rent expense under this lease for the years ended December 31, 2001 and 2000, was \$9,893 and \$9,588, respectively.

On January 28, 1998 a subsidiary of SBO acquired the 10 1/2 acres of Boardwalk property and the lease from SUN International, Inc. (SUN). The company's obligations under the lease remain intact and SBO's subsidiary will assume the duties as Lessor.

Leases (with initial or remaining terms in excess of one year) as of December 31, 2001:

	<u>Capital Lease</u>	<u>Operating Leases</u>
Year ending December 31,		
2001	\$258	\$1,425
2002	258	206
2003	258	13
2004	258	
2005	151	
Thereafter		
Total minimum lease payments	<u>1,183</u>	<u>\$1,645</u>
Less amount representing interest	<u>(237)</u>	
Present value of minimum lease payments	<u>\$ 946</u>	

Rent expense for all operating leases (except those with terms of a month or less that were not renewed) was \$3,787 and \$2,561 for the years ended December 31, 2001 and 2000 respectively.

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ATLANTIC CITY SHOWBOAT, INC.
Notes to Financial Statements
(Dollars In Thousands)

(10) Income Taxes (Benefit)

For the years ended December 31, 2001 and 2000, Income Tax Expense (Benefit) consisted of the following:

	<u>2001</u>	<u>2000</u>
Federal:		
Current	\$(8,641)	\$(1,949)
Deferred	<u>(2,927)</u>	<u>(2,035)</u>
	(11,569)	(3,984)
State :		
Current	0	0
Deferred	<u>(489)</u>	<u>(340)</u>
	(489)	(340)
Total		
Current	(8,641)	(1,949)
Deferred	<u>(3,416)</u>	<u>(2,375)</u>
	<u>\$(12,057)</u>	<u>\$(4,324)</u>

Temporary differences between the financial statement carrying amounts and tax basis of assets and liabilities that give rise to significant portions of the net deferred tax liability relate to the following:

	<u>2001</u>	<u>2000</u>
Deferred tax assets:		
Casino Reinvestment Development Authority Obligation	\$(2,133)	\$(1,786)
Accrued Vacations	(1,541)	(934)
Allowance Doubtful Accounts	(443)	(456)
Grantor Trust	(3,404)	(3,987)
Other	<u>(256)</u>	<u>(434)</u>
Total Deferred Tax Assets	(7,777)	(7,597)
Deferred Tax Liabilities:		
Depreciation and Amortization	<u>28,973</u>	<u>29,692</u>
Net Deferred Tax Liability	<u>\$21,196</u>	<u>\$22,095</u>

(11) STOCK PLANS

HARRAH'S has various incentive plans under which restricted shares or stock options may be granted to key employees of the Company.

Compensation expense of \$461 and \$410 was recognized for the twelve months ended December 31, 2001 and 2000, respectively.

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ATLANTIC CITY SHOWBOAT, INC.
Notes to Financial Statements
(Dollars In Thousands)

(12) Non-operating Income (Expense)

For the years ended December 31, 2001 and 2000, Non-Operating Income (Expense) consisted of the following:

	<u>2001</u>	<u>2000</u>
Interest Income	\$790	\$851
Preopening Cost	(22)	0
Gain (Loss) on Disposal of Property & Equipment	<u>(241)</u>	<u>190</u>
	<u>\$527</u>	<u>\$1,041</u>

(13) EMPLOYEE BENEFIT PLANS

The Company maintains a retirement and savings plan for eligible employees who are not covered by a collective bargaining agreement. Under the terms of the plan adopted on July 1, 1999, eligible employees may defer up to 6% of their compensation, as defined, of which 100% of the deferral is matched by the Company. Eligible employees may contribute an additional 10% of their compensation, which will not be matched by the Company. Amounts contributed by the Company vest over a five-year period. The Company contributed \$2,248 and \$2,465 to this plan for the twelve months ended December 31, 2001 and 2000, respectively.

The Company's union employees are covered by a union-sponsored, collectively bargained, multi-employer pension plan. Contributions are generally determined in accordance with the provisions of negotiated labor contracts and generally are based on the number of hours worked. Contributions to the plans were \$787 and \$696 during the twelve months ended December 31, 2001 and 2000, respectively.

(14) NEW JERSEY INVESTMENT OBLIGATION

The New Jersey Casino Control Act (Act) provides, among other things, for an assessment on a gaming licensee equal to 1 ¼% of its gross casino revenues in lieu of an investment alternative tax equal to 2.5% of gross gaming revenues. This assessment is satisfied by investing in qualified eligible direct investments, by making qualified contributions or by depositing funds with the CRDA. Funds deposited with the CRDA may be used to purchase bonds designated by the CRDA or, under certain circumstances, may be used to purchase bonds designated by the CRDA in exchange for credits against future obligations. CRDA bonds have terms up to 50 years and bear interest at below market rate.

Deposits with the CRDA bear interest at two-thirds of market rates resulting in a current value lower than cost. As more fully disclosed in Note 5, at December 31, 2001 and 2000, Investments, Advances, and Receivables include \$18,947 and \$15,009, respectively, representing the Company's bond purchases and deposits with the CRDA, net of the valuation allowance.

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ATLANTIC CITY SHOWBOAT, INC.
Notes to Financial Statements
(Dollars In Thousands)

(14) NEW JERSEY INVESTMENT OBLIGATION (Cont.)

The Company was eligible to receive approximately \$11,500 in funding credits reserved by the CRDA, as a result of the completion of the hotel expansion program at the Atlantic City Showboat, completed in 1994. In December 2001, the Company received the final distribution of the funding credits.

In December 1999 the CRDA approved a credit exchange agreement between the Company and Harrah's Atlantic City. (Harrah's) The CRDA approved an exchange of \$4,628 of Harrah's South Jersey Future Obligations for \$4,628 from the Company's Atlantic City Housing Current Obligations. The exchange was implemented by the immediate transfer of \$4,628 from the Company's Atlantic City Housing Obligations to Harrah's. In accordance with the exchange agreement, \$4,628 of Harrah's South Jersey Future Obligations shall be transferred back to the Company's South Jersey Current Obligations upon payment by Harrah's of such Obligations received by the CRDA on future Quarterly Payment Dates.

(15) COMMITMENTS AND CONTINGENCIES

Litigation

The Company is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management these matters will not have a material adverse effect on the Company's financial position.

License Renewal

During January 2001, the New Jersey Casino Control Commission (the "CCC") renewed the Company's license to operate its casino hotel complex in Atlantic City. A casino license is not transferable, and must be renewed every four years by filing an application which must be acted upon by the CCC no later than 30 days prior to the expiration of the license then in force.

STATEMENT OF CONFORMITY, ACCURACY AND COMPLIANCE

STATE OF New Jersey :
:
COUNTY OF Atlantic : SS

Michael Walsh being duly sworn according to law upon my oath deposes and says:

1. I have examined this Quarterly Report.
2. All the information contained in this Quarterly Report has been prepared in conformity with the Casino Control Commission's Quarterly Report Instructions and Uniform Chart of Accounts.
3. To the best of my knowledge and belief, the information contained in this report is accurate.
4. To the best of my knowledge and belief, except for the deficiencies noted below, the licensee submitting this Quarterly Report has remained in compliance with the financial stability regulations contained in N.J.A.C. 19:43-4.2(b)1-5 during the quarter.

Michael J Walsh
Signature

Vice President of Finance & Admin.
Title

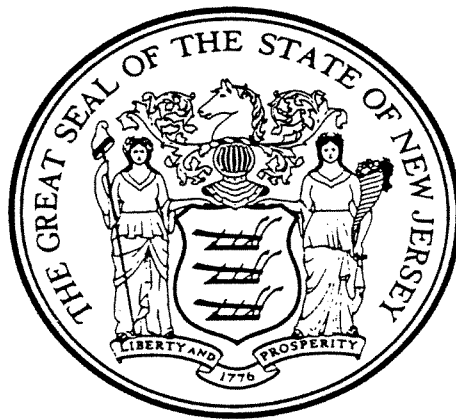
1482-11
License Number

Atlantic City Showboat, Inc.
Casino Licensee

ANNUAL EMPLOYMENT AND PAYROLL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2001

**TO THE
CASINO CONTROL COMMISSION
OF THE
STATE OF NEW JERSEY**



ANNUAL EMPLOYMENT AND PAYROLL REPORTAT DECEMBER 31, 2001
(\$ in Thousands)

LINE (a)	DEPARTMENT (b)	NUMBER OF EMPLOYEES AT DECEMBER 31, (c)	SALARIES AND WAGES		
			Other Employees (d)	Officers & Owners (e)	Totals (f)
1	CASINO Administration	18			
2	Gaming	472			
3	Slots	206			
4	Casino Accounting	316			
5	Simulcasting	8			
6	Other	140			
7	Total - Casino	1,160	\$ 30,853	\$ 139	\$ 30,992
8	ROOMS	258	5,885	76	5,961
9	FOOD AND BEVERAGE	968	17,907		17,907
10	OTHER OPERATED DEPARTMENTS BOWLING	0	-		0
11	PBX	16	374		374
12	PARKING	20	345		345
13					
14					
15					
16					
17					
18					
19					
20	ADMINISTRATIVE AND GENERAL Executive office	10	253	509	762
21	Accounting and auditing	82	2,920	164	3,084
22	Security	189	5,304		5,304
23	Other administrative and general department	58	5,159	188	5,347
24	MARKETING	10	387	155	542
25	GUEST ENTERTAINMENT	103	882		882
26	PROPERTY OPERATION AND MAINTENANCE	255	8,392		8,392
27	TOTALS - ALL DEPARTMENTS	3,129	\$ 78,661	\$ 1,231	\$ 79,892

Under the penalties provided by law, I declare that I have examined this report, and to the best of my knowledge and belief, it is true and complete.

3/31/02
Date


Signature
Vice President of Finance and Admin CCC-376
Title of Officer

GROSS REVENUE ANNUAL TAX RETURN

FOR THE YEAR ENDED DECEMBER 31, 2001

**TO THE
CASINO CONTROL COMMISSION
OF THE
STATE OF NEW JERSEY**



Amended

4/2/02

TRADING NAME OF LICENSEE ATLANTIC CITY SHOWBOAT, INC

GROSS REVENUE ANNUAL TAX RETURN

FOR THE YEAR ENDED DECEMBER 31, 2001

(\$ in Thousands)

Line

CASINO WIN:

1.	Table and Other Games Win.....	\$	53,606
2.	Slot Machines Win.....	\$	300,767
3.	Total Win.....	\$	354,373
Less - Adjustment for Uncollectible Patrons' Checks:			
4.	Provision for Uncollectible Patrons' Checks	\$	1,389
5.	Maximum Adjustment (4% of line 3)	\$	14,175
6.	Adjustment (the lesser of line 4 or line 5)	\$	1,389
7.	Gross Revenue (line 3 less line 6).....	\$	352,984
8.	Tax on Gross Revenue - Reporting Year (8% of line 7).....	\$	28,239
9.	Audit or Other Adjustments to Tax on Gross Revenues in Prior Years		-
10.	Total Taxes on Gross Revenue (the sum of lines 8 and 9).....	\$	28,239
11.	Total Deposits Made for Tax on Reporting Year's Gross Revenue.....	\$	(28,231)
Settlement of Prior Years' Tax on Gross Revenue			
12.	Resulting from Audit or Other Adjustments - (Deposits) Credits	\$	(8)
13.	Gross Revenue Taxes Payable (the net of lines 10, 11 and 12)	\$	(0)

Under penalties of perjury, I declare that I have examined this Gross Revenue Annual Tax Return and to the best of my knowledge and belief, the information contained in this return is accurate.

3/31/02

Date



Signature

Vice President of Finance and Admin.

Title of Officer

SCHEDULE OF RECEIVABLES AND PATRON'S CHECKS

FOR THE YEAR ENDED DECEMBER 31, 2001

**TO THE
CASINO CONTROL COMMISSION
OF THE
STATE OF NEW JERSEY**



SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

FOR THE YEAR ENDED DECEMBER 31, 2001

(UNAUDITED)
(\$ IN THOUSANDS)

ACCOUNTS RECEIVABLE BALANCES

LINE (a)	DESCRIPTION (b)	ACCOUNT BALANCE (c)	ALLOWANCE (d)	ACCOUNTS RECEIVABLE NET OF ALLOWANCE (e)
	Patrons' Checks:			
1	Undeposited Patrons' Checks.....	\$ 1,988		
2	Returned Patrons' Checks.....	\$ 2,042		
3	Total Patrons' Checks.....	\$ 4,030	\$ 999	\$ 3,031
4	Hotel Receivables.....	\$ 282	\$ 87	\$ 195
	Other Receivables:			
5	Receivables Due from Officers and Employees.....	\$ 2		
6	Receivables Due from Affiliates.....	\$ 11		
7	Other Accounts and Notes Receivables.....	\$ 1,721		
8	Total Other Receivables.....	\$ 1,734		\$ 1,734
9	Totals (Form CCC-205).....	\$ 6,046	\$ 1,086	\$ 4,960

UNDEPOSITED PATRONS' CHECKS ACTIVITY

LINE (f)	DESCRIPTION (g)	AMOUNT (h)
10	Beginning Balance (January 1).....	\$ 2,723
11	Counter Checks Issued (Excluding Counter Checks Issued Through Transactions Relating to Consolidations, Partial Redemptions, Substitutions, and Patrons' Cash Deposits).....	\$ 94,006
12	Checks Redeemed Prior to Deposit (Excluding the Unredeemed Portion of Counter Checks Redeemed Through Partial Redemptions, and Excluding Checks Redeemed Through Transactions Relating to Consolidations, Substitutions, and Patrons' Cash Deposits).....	\$ (69,117)
13	Checks Collected Through Deposits.....	\$ (20,891)
14	Checks Transferred to Returned Checks.....	\$ (4,733)
15	Other Adjustments.....	
16	Ending Balance.....	\$ 1,988
17	"Hold" Checks Included in Balance on Line 16.....	\$
18	Provision for Uncollectible Patrons' Checks.....	\$ 999
19	Provision as a Percent of Counter Checks Issued.....	1.1%

Under penalties of perjury, I declare that I have examined this Schedule of Receivables and Patrons' Checks and to the best of my knowledge and belief, it is true and complete.

3/31/02
Date

Michael Walsh
Signature

Vice President of Finance and Admin.
Title of Officer